

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**SB 942 - HB 944**

March 20, 2013

**SUMMARY OF BILL:** Requires the Tennessee Real Estate Commission (TREC) to have all applicants on or after the effective date of this act, and any current licensees that appear before TREC for an infraction, to submit and complete a legible set of fingerprints, on a form prescribed by TREC, to TREC or to the Tennessee Bureau of Investigation (TBI) for the purpose of obtaining a criminal background check from TBI and the Federal Bureau of Investigation (FBI). Any individual required to submit a fingerprint and subsequent background, who fails to do so, shall be refused issuance or renewal licensure. Authorizes TREC to enter into an agreement with the TBI to administer a criminal background check and authorizes TBI to collect the costs incurred to conduct the background check from each applicant.

**ESTIMATED FISCAL IMPACT:**

On March 11, a fiscal note was issued estimating a fiscal impact as follow:

Increase State Revenue - \$89,400/FY13-14/TBI  
\$172,800/FY14-15 and Subsequent Years/TBI

Increase State Expenditures - \$1,000/FY13-14/Tennessee Real Estate Commission  
\$89,400/FY13-14/TBI  
\$172,800/FY14-15 and Subsequent Years/TBI

Other Fiscal Impact – The increase expenditures of \$1,000 to the Tennessee Real Estate Commission can be covered through current fee revenue. As of June 30, 2012, the Commission had a reserve balance of \$2,605,011.

*Due to a misinterpretation of information received from the Department of Commerce and Insurance, this impact was in error. Based on additional information, the estimated impact is:*

**Increase State Revenue - \$34,000/FY13-14/TBI  
\$68,000/FY14-15 and Subsequent Years/TBI**

**Increase State Expenditures - \$1,000/FY13-14/Tennessee Real Estate Commission  
\$34,000/FY13-14/TBI  
\$68,000/FY14-15 and Subsequent Years/TBI**

**SB 942 - HB 944 (CORRECTED)**

**Other Fiscal Impact – The increase expenditures of \$1,000 to the Tennessee Real Estate Commission can be covered through current fee revenue. As of June 30, 2012, the Commission had a reserve balance of \$2,605,011.**

Assumptions:

- This bill has an effective date of January 1, 2014.
- According to TBI, each background check will cost \$42.
- Currently there are 22,986 active real estate agents licensed with TREC.
- In FY11-12, there were 1,613 real estate agent applicants and there were 4 instances in which a licensee was required to appear before TREC for an infraction. It is assumed that these numbers will remain constant and occur annually.
- Background checks, pursuant to this legislation, would be required of new applicants and current licensees appearing before TREC for an infraction.
- There will be approximately 1,617 background checks conducted in annually (1,613 + 4). The cost to conduct such background checks will total \$67,914 (1,617 x \$42).
- Since the effective date of the bill is January 1, 2014, the first year impact will be for one-half of the year resulting in increased expenditures in FY13-14 of \$33,957 (\$67,914 x 0.50). The increase in FY14-15 and subsequent years will be \$67,914.
- There will be a corresponding increase in revenue to TBI from applicants paying for the cost of the background check resulting in an increase in revenue of \$33,957 in FY13-14 and \$67,914 in FY14-15 and subsequent years.
- The Department of Commerce and Insurance can handle any necessary rulemaking during regularly-scheduled board meetings and within existing resources. The Department will incur a one-time increase in state expenditures of \$1,000 computer programming costs.
- Pursuant to Tenn. Code Ann. § 4-3-1011, all regulatory boards are required to be self-supporting over a two-year period. The Commission had closing balances of \$53,750 in FY10-11, \$178,396 in FY11-12, and a closing reserve balance of \$2,605,011 on June 30, 2012.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jdb